

AR49

69 report

FIFTY-THIRD

ANNUAL REPORT

1965

SANGAMO COMPANY LIMITED

HEAD OFFICE: 215 LAIRD DRIVE, TORONTO 17, CANADA



SANGAMO COMPANY, LIMITED

BOARD OF DIRECTORS

H. L. BURROW	<i>Chairman of the Board of the Company</i>	Toronto, Ont.
G. E. ROBERTSON	<i>Vice-Chairman of the Board of the Company</i>	Guelph, Ont.
G. W. BROWN	<i>President, Wagner Electric Corporation</i>	St. Louis, Mo.
N. S. CAUDWELL, Q.C.	<i>Partner, Smith, Caudwell, Symmes and Ferron, Solicitors.</i>	Toronto, Ont.
R. H. DAVIES	<i>President, Sangamo Electric Company</i>	Springfield, Ill.
HON. G. B. FOSTER, M.B.E., Q.C.	<i>Chairman, Canada and Dominion Sugar Co. Ltd.</i>	Montreal, Que.
W. A. KENNEDY	<i>President of the Company</i>	Toronto, Ont.
C. H. LANPHIER	<i>Chairman of the Board, Sangamo Electric Company</i>	Springfield, Ill.
R. C. LANPHIER, JR.	<i>Vice-President, Sangamo Electric Company</i>	Springfield, Ill.
G. W. LAWRENCE	<i>Executive Vice-President of the Company</i>	Toronto, Ont.
J. A. McDougald	<i>Chairman of the Board, Dominion Stores Limited</i>	Toronto, Ont.
J. M. ROE	<i>Vice-President and Secretary-Treasurer of the Company</i>	Toronto, Ont.

CORPORATE

AUDITORS

Clarkson, Gordon & Co.

SHARES LISTED

The shares of the Company are listed on the Canadian Stock Exchange, Montreal, Quebec. Transfers of shares at the Head Office of the Company, Leaside, and Montreal Branch Office.

OFFICERS

W. A. KENNEDY	<i>President</i>
G. W. LAWRENCE	<i>Executive Vice-President</i>
J. M. ROE	<i>Vice-President and Secretary-Treasurer</i>
J. L. PACKHAM	<i>Vice-President, Marketing</i>
P. GREIG	<i>Vice-President, Product Planning</i>
J. H. BERRY	<i>Controller and Assistant Secretary</i>

ANNUAL MEETING

Annual meeting of Shareholders is to be held on March 18th, 1966, at the Inn-on-the-Park, Leslie Street and Eglinton Ave. East, Toronto, Ontario.

FINANCIAL HIGHLIGHTS

	1965	1964
Net sales	\$12,184,990	\$11,846,804
Net profit	236,337	149,056
Earnings per share	1.30	0.82
Dividends per share	0.30	0.20
Expenditure for land, buildings, machinery and equipment	370,935	355,466
Depreciation	353,866	317,245
Shareholders' equity	4,306,268	4,124,294
Shares outstanding at end of period	181,212	181,212
Book value per share	23.76	22.76
Working Capital	4,079,915	3,934,211
Current Ratio	2.8:1	3.4:1

ORGANIZATION

TABLE OF CONTENTS

PLANTS

Leaside, Ontario

Guelph, Ontario

Trois Rivieres, Quebec

SALES OFFICES

Atlantic Region — Halifax

Quebec Region — Montreal

Central Region — Toronto

Western Region — Winnipeg, Calgary and Vancouver

Export Region — Toronto

Board of Directors and Officers	Page 2
Financial Highlights	Page 3
Directors' Report to Shareholders	Page 4
Auditors' Report	Page 5
Balance Sheet	Pages 6 and 7
Statement of Income and Retained Earnings ..	Page 8
Source and Use of Funds	Page 9
Notes to Financial Statements	Page 9
Principal Products	Page 10

DIRECTORS' REPORT TO SHAREHOLDERS

An improvement was recorded in the operations of the Company for the year 1965. Net sales of slightly over 12 million dollars are the highest in the Company's history. Net earnings, after taxes, of \$236,337 represents \$1.30 per share on 181,212 shares outstanding and compares with \$149,056 and 82¢ per share in 1964.

To improve productivity and operating costs, capital expenditures during the year amounted to \$370,935 for tools and equipment, and compares with \$355,466 in 1964, which included new warehouse facilities. Depreciation amounted to \$353,866 in 1965 and was \$317,245 in 1964.

Inventories at December 31, 1964 were \$3,662,890 and amounted to \$4,534,826 at December 31, 1965. Higher costs, uncertainty in supply of vital materials, and changes in marketing practices to service customers adequately across Canada, contributed to heavier inventories during 1965. The management recognizes that reductions are necessary and controls have already been initiated to lower substantially, the inventory level during 1966.

Working capital was increased \$145,704 to \$4,079,915 with current ratio of 2.8:1 as compared to \$3,934,211 with current ratio of 3.4:1 in 1964. Net worth at year-end was \$4,306,268, equivalent to \$23.76 per share and being a further improvement over 1964 which amounted to \$4,124,294 or \$22.76 per share. Quarterly dividends were resumed in June and a total of 30¢ per share was paid in 1965.

Since basic manufacturing costs continue to rise, it is essential to effect economies wherever possible. Major capital expenditure for equipment modernization is planned during 1966 and an aggressive program of control and profit planning is presently in effect throughout the entire organization to meet these increases and improve further, the earnings position. Backlog of orders is about 20% higher than at the beginning of 1965 and a modest increase in sales is forecast for the current year.

The Directors and Officers are ever grateful to the loyal and efficient employees in all plants. Appreciation is also extended to all customers and suppliers for their support.

Submitted on behalf of the Board of Directors.

March 1, 1966.

W. A. KENNEDY, *President.*

AUDITORS' REPORT

To the Shareholders of Sangamo Company, Limited:

We have examined the balance sheet of Sangamo Company, Limited as of December 31, 1965 and the related statements of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statement of income and retained earnings present fairly the financial position of Sangamo Company, Limited at December 31, 1965 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying statement of source and use of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and uses of funds of the company for the year ended December 31, 1965.

CLARKSON, GORDON & CO.
Chartered Accountants

Toronto, Canada, February 7, 1966.

SANGAMO CO.

(Incorporated und

BALANC

Decemb

(with comparative fig

A S S E T S**CURRENT:**

	<u>1965</u>	<u>1964</u>
Accounts receivable	\$1,548,089	\$1,576,628
Inventories, at the lower of cost and market —		
Raw materials, work in process and finished parts	2,578,320	2,071,167
Finished goods	1,956,506	1,591,723
	<u>4,534,826</u>	<u>3,662,890</u>
Tender and performance deposits	157,125	262,913
Prepaid expenses	65,231	37,741
Total current assets	<u>6,305,271</u>	<u>5,540,172</u>

FIXED:

Land — at cost	126,595	126,595
Buildings, machinery and equipment — at cost	\$6,216,772	
Less accumulated depreciation	<u>4,263,297</u>	<u>1,953,475</u>
	<u>2,080,070</u>	<u>1,937,105</u>
UNAMORTIZED DEBENTURE DISCOUNT	86,283	91,383

<u>\$8,471,624</u>	<u>\$7,695,255</u>
--------------------	--------------------

On behalf

(See accompanying note)

ANY, LIMITED

(*under the laws of Canada*)

SHEET

31, 1965

at December 31, 1964)

LIABILITIES

CURRENT:

Bank loan	\$1,154,778
Accounts payable and accrued expenses	888,380
Income and other taxes payable	182,198
Total current liabilities	<u>2,225,356</u>
	<u>240,000</u>

DEFERRED INCOME TAXES:

FUNDED DEBT:

6% Secured Sinking Fund Debentures, Series "A" due December 15, 1982	1,775,000	1,850,000
Less debentures purchased for sinking fund and remaining balance of sinking fund instalment maturing within one year	75,000	75,000
	<u>1,700,000</u>	<u>1,775,000</u>

SHAREHOLDERS' EQUITY:

Capital —

Authorized:

200,000 common shares of no par value

Issued:

181,212 common shares

Retained earnings (note 3)

505,135	505,135
3,801,133	3,619,159
4,306,268	4,124,294
<u>\$8,471,624</u>	<u>\$7,695,255</u>

the Board:

W. A. KENNEDY, Director

J. M. ROE, Director

to financial statements)

SANGAMO COMPANY, LIMITED
STATEMENT OF INCOME AND RETAINED EARNINGS

Year Ended December 31, 1965
 (with comparative figures for 1964)

	<u>1965</u>	<u>1964</u>
NET SALES:	<u>\$12,184,990</u>	<u>\$11,846,804</u>
Less:		
Cost of sales excluding depreciation	9,654,521	9,594,007
Selling, general and administrative expenses	1,611,962	1,533,996
Depreciation (note 1)	353,866	317,245
Interest on funded debt	111,304	115,500
	<u>11,731,653</u>	<u>11,560,748</u>
Profit before income taxes	453,337	286,056
Income taxes	<u>217,000</u>	<u>137,000</u>
Net profit for the year	236,337	149,056
Retained earnings, beginning of year	3,619,159	3,506,345
	<u>3,855,496</u>	<u>3,655,401</u>
Deduct dividends	54,363	36,242
Retained earnings, end of year	<u>\$ 3,801,133</u>	<u>\$ 3,619,159</u>

(See accompanying notes to financial statements)

SANGAMO COMPANY, LIMITED

SOURCE AND USE OF FUNDS

Year Ended December 31, 1965
 (with comparative figures for the year 1964)

	<u>1965</u>	<u>1964</u>
SOURCE OF FUNDS:		
Net profit for the year	\$236,337	\$149,056
Depreciation	353,866	317,245
Increase in deferred income taxes	50,000	17,000
Decrease in unamortized debenture discount	5,100	4,100
Total	\$645,303	\$487,401
USE OF FUNDS:		
Net additions to fixed assets	\$370,236	\$332,339
Redemption of funded debt	75,000	75,000
Dividends	54,363	36,242
Total	499,599	443,581
Increase in working capital	145,704	43,820
Total	\$645,303	\$487,401

NOTES TO FINANCIAL STATEMENTS

1. Depreciation is calculated using the straight line method applied to the estimated useful lives of assets, substantially as follows:

<u>Asset type</u>	<u>Estimated service life</u>	<u>Amount</u>
Buildings	20 and 40 years	\$ 44,136
Machinery and equipment		
General	10 and 15 years	162,092
Tools and dies	3 years	147,638
Total provided in 1965		<u>\$353,866</u>

2. Remuneration paid to the company's directors, including directors holding salaried employment, totalled \$76,538 in 1965.
3. Certain covenants contained in the trust deed relating to the 6% Secured Sinking Fund Debentures prohibit the payment of dividends if net current assets (as defined) or shareholders' equity (as defined) are less than or would be reduced to less than \$2,500,000 and \$3,500,000 respectively.

SANGAMO PRINCIPAL PRODUCTS

SANGAMO ELECTRICAL METERING EQUIPMENT

Singlephase Watthour Meters - Polyphase Watthour Meters
Singlephase Demand Energy Meters - Polyphase Demand Energy Meters
Polyphase Demand Meters - Low Voltage Current Transformers
Low Voltage Potential Transformers - Metering Units
Test Boards

WAGNER-LELAND ROTATING ELECTRICAL EQUIPMENT

Singlephase Induction Motors, Splitphase, Capacitor and Repulsion Start types
Polyphase Induction Motors, fractional and integral horsepower
Direct Current Motors, fractional and integral horsepower
DC Generators - AC Alternators - Motor Generator Sets

OTHER MANUFACTURED PRODUCTS

Sangamo Meteorological Radiosondes - Lamb Electric Vacuum Motor Units
Bunn-O-Matic Commercial Coffee Brewers

PRINCIPAL RESALE PRODUCTS

Sangamo Time Switches - Sangamo Amperehour Meters
HD Electric Test Instruments
TESCO Meter Accessories
Leland - Newman Motors
Lamb Electric Universal Motors

SANGAM